



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



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SUPERINTENDENT OF  
PUBLIC INSTRUCTION

## MEMORANDUM

TO: Local School District and Intermediate District Superintendents, Directors of Special Education, Business Managers, and Public School Academy Administrators

FROM: Jacquelyn Thompson, Ph.D., Director  
Office of Special Education and Early Intervention Services

DATE: February 1, 2005

SUBJECT: Maintenance of Effort as required under the Individuals with Disabilities Education Act (IDEA)

### Background

The federal regulations implementing the Individuals with Disabilities Education Act (IDEA) at 34 C.F.R. §300.231 requires that all local school districts, public school academies, and intermediate school districts who expend IDEA, Part B funds comply with “maintenance of effort” provisions. These provisions state that IDEA, Part B funds may not be used to reduce the level of state and local expenditures for the education of pupils with disabilities from one year to the next. Furthermore, Section 300.231 requires that the state agency have on file information from each district, which expends IDEA, Part B funds, that this requirement is met.

### Purpose

The purpose of this memorandum, the attached Maintenance of Fiscal Effort Worksheet, and corresponding instructions is to comply with 34 C.F.R. §300.231 by testing for expenditures during the 2003-04 fiscal year. The attached worksheet is to be completed by all local school districts, public school academies, and intermediate school districts who expended IDEA, Part B funds in the 2003-04 fiscal year. Each district completing the worksheet will use 2002-03 data for the preceding year information and 2003-04 data for current year information. Local school districts and public school academies are to return the worksheet to their intermediate school district for an initial review. Intermediate school districts are to return their worksheet and all worksheets from their constituent local districts to the Michigan Department of Education, Office of Special

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MEMORANDUM  
February 1, 2005

Education and Early Intervention Services, P.O. Box 30008, Lansing, MI 48909, no later than **February 28, 2005**. **Worksheets must be returned even if the district or intermediate district has demonstrated state and local effort.**

It is anticipated that intermediate school district personnel will work in cooperation with local school district and public school academy personnel to ensure that all appropriate federal exceptions to the maintenance of effort requirement are applied appropriately in the attempt to document state and local effort. Districts who fail to maintain state and local effort will be contacted during the month of April by the Michigan Department of Education, Office of Special Education and Early Intervention Services, and may result in scheduling an on-site visit to provide technical assistance. The failure of the intermediate district, local school district or public school academy to maintain state and local effort will result in repayment of funds to the Department in an amount equal to the effort that was not maintained.

If you have further questions regarding maintenance of effort in general or the attached worksheet, please contact either John Andrejack, Supervisor of the Finance Management Unit at (517) 373-2949 or Norm Lupton, Federal Auditor at (989) 201-6095.

JJT:JA:bw

Attachments (2)

OSE/EIS 05-01

## INSTRUCTIONS TO THE MAINTENANCE OF FISCAL EFFORT WORKSHEET FOR FISCAL YEAR 2002-2003

### 1. Complete Section I – Data Needed

- a. On line a., report the district's total special education head count from the current year's December 1 count and from the immediate preceding year's December 1 count. This information can be found on Form SE-4568 and can be extracted from the district's electronic data system.
- b. On line b., report the district's total special education FTE from the September Pupil Membership Count for the current year and the immediate preceding year. This information can be found on the district's Audited Pupil Membership Count, Form DS-4120.
- c. On line c., report the district's IDEA, Part B flowthrough allocation for the current year and immediate preceding fiscal year.
- d. On line d., report the district's state and local expenditures for special education. This information is found on the Special Education Actual Cost Report, Form SE-4096 on line 38. If the district operates both Section 52 and Section 53 programs add the two amounts together.
- e. On line e., report the district's expenditures for specialized transportation. This amount can be found on the Transportation Expenditure Report, Form SE-4094. Use the information from line 28 for both Section 52 and Section 53 and subtract the amortization information found on line 27.
- f. On line f., report any instructional special education expenditures from local funds not eligible for state aid reimbursement. Appropriate documentation must be attached to verify all expenditures on this line.

One example of such an expenditure would be the special education portion of the salaries and benefits of a paraprofessional working only part of the day with special education students and part of the day with general education students. Documentation for this type of cost would include a time and activity report showing the split assignment.

Purchased Services – Another example of such an expenditure would be purchased services from another Michigan public school district. Costs related to services that are provided by one district and purchased by another district may be claimed for the maintenance of effort calculation in only one district. The costs may be claimed at the district of employment (i.e., district issuing the W-2) or at the district that purchases the service. This line would be used if the district that purchases the service will be claiming the costs. **In this case, documentation must be provided detailing the costs, including a copy of a signed agreement by the two districts stating that the district purchasing the service will claim the costs.** When the district purchasing the service claims the costs, there must be a reduction of the same amount on this line, by the district providing the service in their maintenance of effort calculation.

- g. On line g., sum totals of lines d., e., and f. If the expenditures of line g. for the current year are greater than the expenditures for the preceding year, the district has demonstrated maintenance of effort and does not need to complete any further lines on the worksheet. If the expenditure total on line g. for the current year is less the total for the preceding year, the district needs to continue to section II.

2. Complete Section II – Apply the Per Capita Calculation
  - a. Line II. a. – To calculate the head count per capita amount, divide line I. g. (Total) by line I. a. (December 1 Head Count) for both the current and preceding years. If the per capita head count amount for the current year exceeds the preceding year, the district has demonstrated maintenance of effort and does not need to complete any further lines on the worksheet. If the per capita amount for the current year is less than the preceding year, complete line II. b.
  - b. Line II. b. – To calculate the FTE per capita amount, divide line I. g. (Total) by line I. b. (September FTE Count for Special Education) for both the current and preceding years. If the per capita FTE amount for the current year exceeds the preceding year, the district has demonstrated maintenance of effort and does not need to complete any further lines on the worksheet. If the per capita amount for the current year is less than the preceding year, complete Section III.
  
3. Complete Section III - Apply 20% Rule
 

34 C.F.R. §300.233 allows districts to treat some federal expenditures as if they were local fund expenditures for the purposes of calculating maintenance of effort. IDEA, Part B allows districts to treat up to twenty percent (20%) of the district's allocation increase from year to year as local expenditures for maintenance of effort calculation purposes. For example, if a district receives \$400,000 in IDEA, Part B funds in year one and \$500,000 in IDEA, Part B in year two, the increase is \$100,000. The district may treat up to 20% of the increase, which is \$20,000, as local expenditures for maintenance of effort calculation purposes.

  - a. On line III. a., report the increase in the district's IDEA, Part B allocation. Take line I. c. for the current year (2003-04) and subtract the amount on line I. c. for the preceding year (2002-03).
  - b. On line III. b., multiply the amount on line III. a. by 20% (.20).
  - c. On line III. c., add the amount from line III. b. to the amount reported on line I. g. for the current year (2003-04).
  - d. On line III. d., report the total from line I. g. for the preceding year (2002-03).
  - e. On line III. e., report the total by subtracting line III. c. from line III. d. This amount may be either a positive or a negative number. If line III. e. is a negative number, the district has demonstrated maintenance of effort and does not need to complete any further lines on the worksheet. If line III. e. is a positive number, the district needs to continue to section IV.
  
4. Complete Section IV - Exceptions to Maintenance of Effort
 

34 C.F.R. §300.232 allows certain situations to be used as exceptions for maintenance of state and local effort. These exceptions include (see the attached copy of the Federal Register for further explanation):

  - a. 300.232(a) – The voluntary departure, by retirement or otherwise, or departure for just cause, of special education or related services personnel, who are replaced by qualified, lower-salaried staff.
  - b. 300.232(b) – A decrease in the enrollment of children with disabilities.
  - c. 300.232(c) - The termination of the obligation of the agency, consistent with this part to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA.
  - d. 300.232(d) – The termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

Complete Section IV. to include the appropriate exception section numbers as listed above. With each exception include a detailed explanation and the amount of the expenditures to be applied to the exception. The district may use one or more of the exceptions listed above, but must attach appropriate document for each exception used. Appropriate documentation may include copies of the district's financial transaction analysis for the applied costs, copies of either the December 1 count or September Pupil Membership counts and/or documentation showing the termination of the program to a particular child or group of children. The district needs only to justify through the exceptions to the amount on line III. e.

5. Return the completed worksheet and the appropriate documentation to your intermediate school district. The intermediate school district will return the worksheet and documentation from the intermediate school district and all constituent local school districts and public school academies to the Michigan Department of Education, Office of Special Education and Early Intervention Services. Districts who fail to maintain state and local effort will be contacted during the month of April by the Michigan Department of Education, Office of Special Education and Early Intervention Services that may result in scheduling an on-site visit to provide technical assistance. The failure of the intermediate school district, local school district or public school academy to maintain state and local effort will result in repayment of funds to the Department in an amount equal to the effort that was not maintained. Districts needing to make a repayment of funds to the Department, will be contacted directly regarding the method of repayment required.

Michigan Department of Education  
Office of Special Education and Early Intervention Services

**Maintenance of Fiscal Effort Worksheet  
as required under IDEA for F.Y. 2002-2003**

**Mailing Instructions:**

**LEA:** Return the ORIGINAL and ONE copy to your intermediate school district.

**ISD:** Review the form and return the ORIGINAL by February 28, 2005 to the Office of Special Education and Early Intervention Services, Finance Management Unit, P.O. Box 30008, Lansing, MI 48909. Retain ONE copy for your records. Failure to return this form may result in the loss of IDEA, Part B funds.

District Code \_\_\_\_\_ District Name \_\_\_\_\_

Please note: If no IDEA Funds were expended by the district, the Maintenance of Fiscal Effort test/calculation does not apply and there is no need to complete the worksheet.

	<b><u>2002-03 PRECEDING YEAR</u></b>	<b><u>2003-04 CURRENT YEAR</u></b>
<b>I. Data Needed</b>		
a. December 1 Head Count (audited count)	_____	_____
b. September FTE Count for Special Education (audited count)	_____	_____
c. IDEA Flowthrough Allocation	_____	_____
d. SE 4096 Section 52 + Section 53 Costs (Line 38)	_____	_____
e. Specialized Transportation SE-4094 Section 52 & Section 53 (Line 28 minus 27)	_____	_____
f. Other Local Special Education Expenditures not Eligible for State Aid Reimbursement (Attach documentation for any additional costs reported here)	_____	_____
g. TOTAL (sum of d, e and f)	_____	_____

If I.g. for the current year is greater than the preceding year, you are finished. If not, continue to step II.

	<b><u>2002-03 PRECEDING YEAR</u></b>	<b><u>2003-04 CURRENT YEAR</u></b>
<b>II. Apply the Per Capita Calculation</b>		
a. Head Count Per Capita (Divide Line I.g. by Line I.a.)	_____	_____
b. FTE Count Per Capita (Divide Line I.g. by Line I.b.)	_____	_____

If the current year calculation is greater than the preceding year, you are finished. If not, continue to step III.

<b>III. Apply 20% Rule</b>	
a. Take Line I.c., current year minus preceding year	_____
b. Multiply Line III.a. x 20% (.20)	_____
c. Add Line III.b. to current year total costs, line I.g.	_____
d. List preceding year total costs, line I.g.	_____
e. Subtract line III.c. from III.d.	_____

If III.e. is a positive number go to step IV., and if III.e. is a negative number, you are finished.

**IV. Exceptions to Maintenance of Effort (see Federal IDEA Regulations 34 C.F.R. §300.232):**

Note: Justify only to the amount of line III.e. If the total justifications equal/exceed line III.e. your Maintenance of Effort requirement is met for the current year.

<u>Exception Code</u>	<u>Detailed Explanation</u>	<u>Amount(s)</u>
300.232 _____	1. _____ _____ _____	_____ _____ _____
300.232 _____	2. _____ _____ _____	_____ _____ _____
300.232 _____	3. _____ _____ _____	_____ _____ _____

4. **Total of Allowable Federal Exceptions to Maintenance of Effort** \_\_\_\_\_

5. Enter the amount from page 1, Line III.e. \_\_\_\_\_

6. If Line IV.4. is less than Line IV.5., enter the amount the district did not maintain effort. \_\_\_\_\_

Upon Department review and approval, districts that did not demonstrate maintenance of effort, will be provided with instructions for repayment.

Authorized Signature \_\_\_\_\_

Date \_\_\_\_\_

Title \_\_\_\_\_

Approved by – MDE \_\_\_\_\_

Date \_\_\_\_\_